



As reprinted from 11/12/2008

State Treasurer Dean Martin Announces Historic AAA Investment Rating by S&P

InsideArizonaBusiness.com Report

Press Release

(PHOENIX) – Standard and Poor's Rating Services released its rating today for the Arizona State Treasurer's state and local government diversified fixed income investments. S&P assigned its highest rating for stability 'S1+' and highest rating for credit quality of 'AAAF' ('f' designates this is a fund rating). This is the first time in state history that a state and local government investment pool has received a rating from S&P.

"This is a historic day for the state of Arizona. In the very first review, we received the highest possible rating," said Treasurer Dean Martin.

S&P described the Treasurer's Office investments in the \$2.5 billion pool as "the pool's holdings provide extremely strong protection against losses from credit defaults..." and the fund "...possesses an extremely low sensitivity to changing market conditions. S1+ rated funds typically exhibit a level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments."

It is important not to confuse this rating with the state's debt rating, which is a rating of the overall fiscal health of the state's budget, (which is currently lower). This rating by S&P evaluates the investments by the Treasurer's Office of state and local government monies in the diversified fixed income pool (known as LGIP - Pool 5).

Treasurer Dean Martin stated, "This is quite an achievement, especially during these tough economic times and distressed financial markets, to achieve the highest rating possible for credit quality and stability. It validates all of the hard work that we at the Treasurer's Office have put in to navigate these unprecedented financial markets."

"My philosophy has always been safety and liquidity first, and this rating provides independent confirmation of that. One of my goals when I first became Treasurer was to make lasting improvements," said Treasurer Dean Martin.

"Standard and Poor's has recognized the improvements in operational oversight and risk management that we have made in my first two years in office, including a new risk management committee and the new electronic trading and compliance system. Future Treasurers will need to maintain these high standards in order to maintain our highest credit rating as Standard & Poor's will continue to independently monitor and evaluate investments in the pool monthly."

The AAAf rating is based on the high credit quality portfolio of more than 75% of the pool's assets in AAA rated securities and the remaining balance in AA and A rated issuers. The S1+ rating is based on the high degree of safety and liquidity of pool holdings and a conservative stated weighted average maturity (WAM) maximum of 120 days.

Source: Office of Arizona State Treasurer